



## CABINET

Report of: Councillor Jacky Smith  
Cabinet Member for Health, Well-being and Skills

Report to:	<b>Cabinet</b>
Date:	<b>12 October 2017</b>
Subject:	<b>St Peter's Hill Redevelopment – Cinema Project</b>
	<b>Report No: PD023</b>

<b>Decision Proposal:</b>	For Cabinet approval (as to part) and recommendation to Council (as to part).
<b>Relevant Cabinet Members:</b>	Councillor Jacky Smith Cabinet Member for Health, Well-being and Skills Councillor Kelham Cooke, The Deputy Leader and Cabinet Member for Business Transformation and Commissioning
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<b>Approved for publication:</b>	Councillor Jacky Smith Cabinet Member for Health, Well-being and Skills Date:29/09/2017

## **SUMMARY**

At its meeting on 9th May 2016 Cabinet agreed to progress the St Peters Hill Cinema project from the approved capital budget allocation.

The purpose of this report is to obtain approval:-

- a) of the updated business case including a revised capital budget of £5.7m;
- b) to delegate authority to the Strategic Director –Development and Growth to the Council to conclude an agreement for lease followed by a lease with the preferred cinema operator in conjunction with the Cabinet Member for Health, Well-being and Skills and the Councils legal advisors; and
- c) to the permanent closure of St Catherine's Road Car park from the 3<sup>rd</sup> November 2017 to enable commencement of works on site.

Cabinet will receive a further report when the design, technical specification and costing have been finalised with the contractor and approval being sought to enter in to the delivery agreement (build contract).

## **RECOMMENDATION**

1. That Cabinet approves the business case attached at Appendix A to this report and the Exempt Appendices to the business case attached as Appendix B to this report which comprises Options Appraisal, Heads of Terms with the Cinema operator, Order of costs estimate and the updated Risk Register.
2. That Cabinet approves the revised capital budget of £5.7m and recommends to Council a further allocation of £1,167,637 profiled across the 2017/18, 18/19, 19/20.
3. That Cabinet agrees to the permanent closure of St Catherine's Road car park from Friday 3<sup>rd</sup> November 2017 to enable the cinema development to progress and allow preparatory ground works and demolition of the garage to be carried out.
4. That Cabinet approves the Heads of Terms attached as part of Exempt Appendix B to the report and delegates authority to the Strategic Director –Development and Growth to the Council to conclude an agreement for lease followed by a lease with the preferred cinema operator in conjunction with the Cabinet Member for Health, Well-being and Skills and the Councils legal advisors.

## **1. BACKGROUND TO REPORT**

- 1.1. The Council has clear priorities aimed at stimulating the day and night time economies of its market towns and improving the range and quality of leisure and cultural offers available within the district. The Deputy Leader of the Council and Cabinet Member for Business Transformation and Commissioning and the Cabinet Member for Health, Well-being and Skills have recognized the wider opportunities for development of the adjacent office buildings to the cinema scheme.
- 1.2. The St Peters Hill cinema project and the Council office remodelling are being progressed to help improve the offer at St Peters Hill and architects have been instructed to design public realm improvements with linkages between the two schemes and their wider connectivity to the town centre. One opportunity is further restaurant space in the re-configured offices to further support the cinema destination.
- 1.3. The business case attached at Appendix A, with Exempt Appendix B, provides the updated case for cinema project which is part of a major intervention by the Council in the redevelopment of St Peters Hill to help develop Grantham Town Centre as a leading sub regional destination.
- 1.4. The setting of the cinema and associated restaurant units will improve the attractiveness of the public realm both in, leading to and around the whole redevelopment scheme and connectivity to the wider town centre to extend the 'dwell time' of visitors.
- 1.5. The revised capital budget of £5.7m is required as a consequence of the scheme being amended from a 6 screen cinema, with four new screens and two refurbished existing screens, to a bespoke new cinema with 5 screens, two restaurant units and first floor space for a variety of compatible uses. Building cost inflation and some volatility in the construction sector through high demand since the current capital budget was allocated is also a factor. The budget also reflects surrender of the lease to the current cinema operator in May 2018 prior to the new cinema opening and the demolition and clearance of the existing cinema building.
- 1.6. Using the SCAPE framework a contractor has been commissioned to conduct preconstruction design and cost development stages of the project with a professional team. A further report will be brought back to Cabinet on completion of this work prior to entering into a build contract.
- 1.7. Contractors are required to commence on site in early November 2017 to enable the development to progress and stay on track with the desired programme. This will entail closing off the site, installing good quality hoardings and the permanent closure of St Catherine's Road Car Park. The closure of the car park entails careful planning and communications with all stakeholders. There are no formal processes required for permanently closing the car park. However, the Council will take steps to ensure advance notification is provided of the closure date.

## **2. OTHER OPTIONS CONSIDERED**

- 2.1. The business case at Appendix A sets out the options that have been considered and rejected.

## **3. RESOURCE IMPLICATIONS**

- 3.1. External consultants will be required to support the project going forward. On 24th August 2017 the Cabinet Member for Major Projects approved a non key decision for expenditure of up to a maximum of £200k to progress the pre-construction detailed technical design and prepare the agreement for lease. External legal consultants have been appointed to progress the legal agreements with the preferred cinema operator. Cost consultants are being procured via the pro contract web portal.

## **4. RISK AND MITIGATION**

- 4.1. A full risk assessment has been conducted and the risk register is attached as part of Exempt Appendix B.

## **5. ISSUES ARISING FROM IMPACT ANALYSIS (EQUALITY, SAFEGUARDING etc.)**

- 5.1. The design and specification of any proposed building must comply with equality and disability legislation.

## **6. CRIME AND DISORDER IMPLICATIONS**

- 6.1. Not applicable at this stage.

## **7. COMMENTS OF FINANCIAL SERVICES**

- 7.1. The attached business case sets out the financial implications of the scheme including the potential return on investment. These are based on the forecast rental streams that should be realised upon full occupancy of the development. It is recognised that there are other objectives that will be delivered from this scheme but it is important to ensure that value for money is being achieved. The business case presents the case to support this. The increase in budget provision resulting from proposed changes to the specification and in response to market fluctuations will be met from allocated capital reserves and where required, the local priorities reserve.
- 7.2. There will be a permanent loss of income from St Catherine's Road Grantham of approximately £9,000 per annum but it is anticipated that the users will migrate to adjacent car parks thus minimising the impact of the loss of income.

## **8. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

- 8.1. The report proposes recommendations to progress the work required to deliver a new cinema in Grantham. Negotiations relating to the proposed building contract and agreement for lease and lease of the premises to be built must be concluded and secured before any further work, other than enabling works, can be undertaken. This will require the necessary funding to be in place and the appropriate terms to be negotiated.
- 8.2. The information provided in Exempt Appendix B is exempt from publication in accordance with paragraph 3 of Schedule 12A of the Local Government Act 1972 because it contains commercial and financial information relevant to the negotiations between the Council and the preferred operator of the proposed cinema.

## **9. COMMENTS OF OTHER RELEVANT SERVICES**

- 9.1. None.

## **10. APPENDICES**

- 10.1. Appendix A - Business case & Appendices 1 & 2  
Appendix B - Exempt Appendices to Business Case A, B, C & D

## **11. BACKGROUND PAPERS**

- 11.1. Previous reports:

- PD015 – 03 February 2014:  
<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=164&MId=2927&Ver=4>
- PD019 – 04 August 2014:  
<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=164&MId=3049&Ver=4>
- PD 022 – 09 May 2016:  
<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=164&MId=3288&Ver=4>